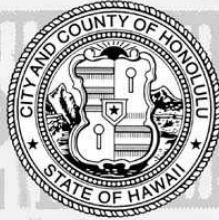


# NEWS RELEASE



Office of the Mayor

CITY AND COUNTY OF HONOLULU

**FOR IMMEDIATE RELEASE**

January 31, 2012

## **CITY COMMITTED TO STRENGTHEN RAIL FINANCIAL PLAN**

(Tues., Jan. 31, 2012)—Mayor Peter Carlisle today announced a proposed solution to further strengthen the financial plan of Honolulu's rail project, remain on target for its successful completion and obtain full funding in the amount of \$1.55 billion from the federal government.

In its December 29, 2011 letter approving entry into the final design phase of the rail project, the Federal Transit Administration (FTA) declared the Honolulu Authority for Rapid Transportation (HART) financial plan to be "sound," but also asked that the plan "further strengthen" its demonstration of financial capacity to handle unforeseen revenue shortfalls or cost increases, prior to receipt of the federal funding agreement. Carlisle met with FTA Administrator Peter Rogoff in Washington D.C. on January 18 to discuss solutions to address this comment.

Based on Carlisle's meeting with the FTA, the most cost-effective method to demonstrate the City's financial capacity is through establishment of a line of credit in a sufficient amount to satisfy the FTA. "The City and County of Honolulu's financial health is strong, as shown by recent excellent credit ratings in 2011," said Carlisle. "The Honolulu Rail Transit Project's financial health is also strong: it has had higher than projected revenues and lower than projected contract costs so far. Because of this, we can demonstrate our financial capacity to handle unforeseen events with a simple line of credit, and we can project that we will avoid an extension of the general excise tax (GET) half-percent surcharge to fund the rail project."

City Council Chair Ernie Martin concurred with the Mayor's decision to seek a line of credit to further strengthen the rail project's financial plan as well as address any remaining FTA budget concerns. "A provision like this would be similar to the current requirement for City Council approval to float general obligation bonds to cover the cash flow for rail construction," said Martin. "This makes sure the public has the opportunity to comment before any borrowing ever occurs. Moreover, it is designed to come into play only in the event of catastrophic circumstances such as a natural disaster over which we have no control."

Proposed legislation will be drafted and submitted to the Honolulu City Council for public hearing and action. Provisions contemplated include requiring City Council approval before any borrowing from the line of credit may occur to pay for rail in the highly unlikely event a draw on the line is ever necessary.

"The City has consulted with its bond counsel and underwriters, and determined that simply establishing a line of credit, given the City's fiscal health and circumstances, is prudent," said Department of Budget and Fiscal Services Director Mike Hansen.

“A strong bond rating is critical to assure the City’s ability to borrow for capital projects at the lowest rates,” said Carlisle. “I would not support this solution if I believed it would affect the City’s rating. Thanks to the efforts of our congressional delegation over many years, this is a unique opportunity for the City to receive \$1.55 billion in federal support.”

Another contemplated provision would allow for a memorandum of understanding between the City and HART making HART responsible for all costs associated with establishing the line of credit, or borrowing from it, as well as the debt service and debt itself. “In the same way that HART is now responsible for any financing included in its financial plan, this makes sure any line of credit, just like any bonds floated by the City for HART, is paid in full by HART,” said Hansen.

HART Finance Committee Chairman Don Horner, who participated in the January 18 meeting between Carlisle and FTA Administrator Rogoff, said he agrees with the proposed solution. “It is important for the public to understand that this solution provides an additional cushion that is over and above the \$860 million contingency fund already built into the financial plan,” said Horner. “HART would first use our contingency funds and explore cost reductions before requesting this option.”

According to the financial plan approved by the FTA, the City’s rail project is projected to cost \$5.17 billion. Revenue sources include \$1.55 billion in federal funding and a GET surcharge passed by the Hawaii State Legislature and Honolulu City Council in 2005.

The Honolulu rail project is well underway with 25 percent of the projected GET revenue already collected, in excess of \$810 million. Additionally, more than 50 percent of the construction costs have been contracted at prices that are \$300 million below estimated expenses.